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Members of the Legislative Assembly Pension Plan

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2004 Annual Report

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Members of the Legislative Assembly Pension Plan

2004

Annual Report

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Roles and Responsibilities

British Columbia Pension Corporation

The British Columbia Pension Corporation (Pension Corporation) is responsible for administering pension benefits for the Members of the Legislative Assembly Superannuation Account (Account). The Account is administered in accordance with the *Legislative Assembly Allowances and Pension Act*, Part 2, and related regulations.

The Account is a fund within which contributions and interest accumulate and are invested to fund current and future pension benefits. When a plan member is granted a pension, the net present value of the pension is transferred to the Public Service Pension Plan, which pays the monthly pension.

British Columbia Investment Management Corporation

The British Columbia Investment Management Corporation (bcIMC) is responsible for investment management on behalf of the account.

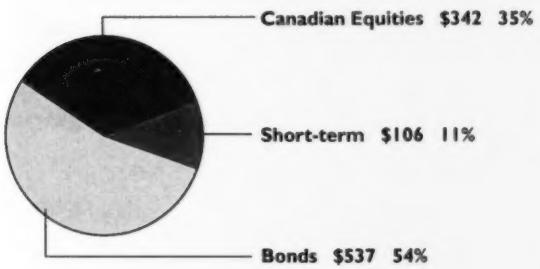
Investments

Investments Held as at March 31, 2004

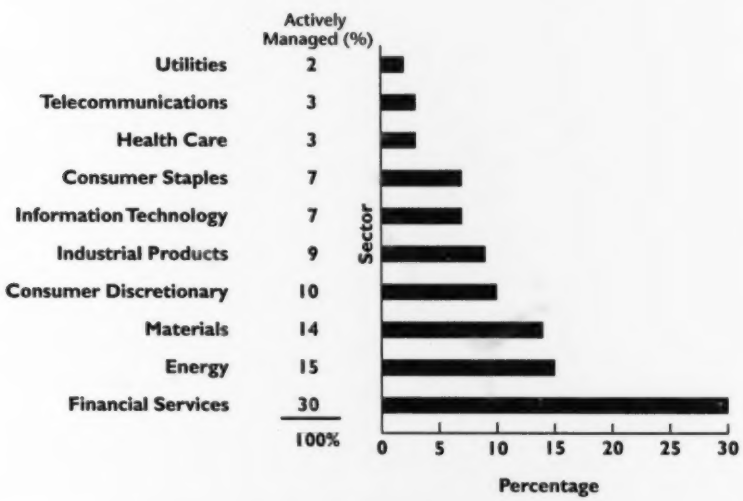
	Market Value	Asset Mix % Market Value
Short-term	$106,383	11%
Bonds	536,826	54%
Canadian Equities	341,708	35%
Total Investments	$984,917	100%
2003 Comparison	$1,065,190	

Investments Held as at March 31, 2004 (Market Value)

$Thousands



Canadian Equities, by Sector



Member Services

Members and Contributions

The *Legislative Assembly Allowances and Pension Act* was amended in July 1995, to discontinue contributions and the accrual of benefit entitlements for service after June 19, 1996. Only service before June 19, 1996 will affect an account member's pension or termination benefit.

Members of the Legislative Assembly may become plan members by purchasing service before June 19, 1996.

Contributions
$ Thousands

		Government	
Year	Members	Regular	Terminal Funding
1995	410	410	117
1996	398	398	–
1997	133	133	2,322
1998	89	89	–
1999	214	215	–
2000	204	204	–
2001	153	153	202
2002	31	31	9,968
2003	1	1	–
2004	–	–	**1,016**

Terminal funding represents additional funding provided by the province in the year a pension is granted, when the present value of the pensions granted exceeds accumulated assets available to fund those members' benefit entitlements in the account.

Number of Members	
1995	35
1996	36
1997	25
1998	26
1999	31
2000	35
2001	38
2002	12
2003	12
2004	**10**

Annual Rates for Interest Credited to Contribution Balances (%)

	September	March
1999/00	4.54	5.34
2000/01	5.28	4.78
2001/02	4.05	3.45
2002/03	3.88	3.60
2003/04	**2.99**	**2.70**

Termination Benefits

When a plan member ceases to be a Member of the Legislative Assembly, the member may elect to receive a refund of his or her share of contributions, plus the accumulated interest. Interest is credited to the member's contribution balance semi-annually and compounds semi-annually. The rate of interest is based on Bank of Canada average five-year personal term deposit rates.

Termination Benefits Paid from 1996/97 to 2003/04*

	Amount ($)	Number
1996/97	$35,000	2
1997/98	$74,082	2
2003/04	**$36,183**	**1**

* In years not identified, there were no termination benefits paid.

Pensions

Two pensions were granted during 2003/04. At the end of the year 123 pensions were in force. Total pensions paid amounted to $4.3 million in 2003/04 ($4.3 million in 2002/03).

MLA pensions are paid at the end of each month from the Public Service Pension Fund. The fund pays a full month's pension for the month in which a retired member dies.

The following tables provide an historical overview of MLA pensions granted.

Member Pensions 1994/95 to 2003/04

	Granted During Year	Pension Terminations	In Force at End of Year
1994/95	1	–	97
1995/96	–	1	96
1996/97	12	2	106
1997/98	–	3	103
1998/99	1	2	102
1999/00	2	2	102
2000/01	1	1	102
2001/02	26	2	126
2002/03	–	3	123
2003/04	**2**	**2**	**123**

Transfers to the Public Service Pension Plan 1994/95 to 2003/04
$ Thousands

	Present Value of Pensions Transferred to Public Service Pension Plan	Inflation Adjustment Contributions Transferred to Public Service Pension Plan
1994/95	246	114
1995/96	–	103
1996/97	4,687	43
1997/98	–	25
1998/99	188	60
1999/00	559	56
2000/01	222	42
2001/02	12,964	9
2002/03	–	–
2003/04	**1,524**	–

Financial Statements

PENSION CORPORATION

Executive Offices

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PO Box 9460
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PREMIER'S AWARD

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Members of the Legislative Assembly Superannuation Account (Account) were prepared by the British Columbia Pension Corporation (Pension Corporation), the benefit administrator for the Account. The Pension Corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with Canadian generally accepted accounting principles. Other financial information contained in the Annual Report for the Members of the Legislative Assembly Pension Plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Account in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.

SHELDON SCHWARTZ, CFA
Chief Financial Officer
British Columbia Pension Corporation

SANDRA LENZ, CA
Director, Finance
British Columbia Pension Corporation

June 29, 2004

Report of the Auditor General of British Columbia

To the Chief Executive Officer
British Columbia Pension Corporation, and

To the Minister of Finance,
Province of British Columbia:

I have audited the statement of net assets available for benefits of the *Members of the Legislative Assembly Superannuation Account* as at March 31, 2004 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the British Columbia Pension Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Members of the Legislative Assembly Superannuation Account* as at March 31, 2004 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
June 29, 2004

Wayne Strelioff, FCA
Auditor General

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

March 31		2004	2003
ASSETS			
Investments (Note 3)	$	984,917	$ 1,065,190
Employer contributions receivable		1,436	1,437
Interest income receivable (Note 4)		60,328	43,452
Due from Public Service Pension Fund (Note 5)		622,645	622,645
Cash		4,230	87
Total Assets		1,673,556	1,732,811
LIABILITIES			
Due to Province - terminal funding (Note 5)		198,889	557,326
Due to the Public Service Pension Fund		676,825	399
Total Liabilities		875,714	557,725
NET ASSETS AVAILABLE FOR BENEFITS	$	797,842	$ 1,175,086

All accompanying notes are an integral part of these financial statements.

Sheldon Schwartz, CFA
Chief Financial Officer
British Columbia Pension Corporation

Sandra Lenz, CA
Director, Finance
British Columbia Pension Corporation

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended March 31	2004	2003
INCREASE IN ASSETS		
Investment income (Notes 4 & 5)	$ 166,672	$ 35,234
Past service contributions		
Members	-	1,436
Employer	-	1,436
Terminal funding adjustment (Note 5)	-	7,883
Terminal funding on pensions granted (Note 5)	1,015,918	-
	1,015,918	10,755
Total Increase in Assets	1,182,590	45,989
DECREASE IN ASSETS		
Termination and refund benefits	36,183	-
Transfer to the Public Service Pension Fund (Note 5)	1,523,651	399
Total Decrease in Assets	1,559,834	399
(DECREASE) INCREASE IN NET ASSETS	(377,244)	45,590
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	1,175,086	1,129,496
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 797,842	$ 1,175,086

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

The Members of the Legislative Assembly Superannuation Account (Account) is established under Part 2 of the *Legislative Assembly Allowances and Pension Act* (Act). The Account is administered by the British Columbia Pension Corporation (Pension Corporation).

When a member is granted a pension, the present value of the amount required to provide his or her future pension benefits is transferred from the Account to the Public Service Pension Fund and monthly pensions are paid from that fund. The Province of British Columbia provides additional funding when the present value of pensions granted exceeds accumulated assets available to fund those members' benefit entitlements in the Plan.

a) General

The following brief description of the Members of the Legislative Assembly Pension Plan (Plan) is provided for general information only. For more information, please refer to the Act. The Act was amended in July 1995 to discontinue the accrual of benefit entitlements after June 19, 1996. Only member service prior to this date will be taken into account to determine a member's pension or termination benefit. A member's eligibility for a pension or termination benefit is determined using all service as a member.

b) Roles and Responsibilities

The Pension Corporation provides benefit administration services for the Account.

The British Columbia Investment Management Corporation (bcIMC) provides investment management services for the Account.

c) Pension Benefits

A member of the Plan is entitled to a pension after having served seven years or for more than two parliaments and upon:

- ceasing to be a Member of the Legislative Assembly (MLA) and attaining the age of 55; or
- ceasing to be an MLA and attaining an age plus years of service as an MLA totalling 60 or more years; or
- having reached the calendar year-end of the year in which the member becomes 69 years old.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT (continued)

c) Pension Benefits (continued)

The defined basic benefit plan provides a pension of 5% per year of service, up to a maximum of 16 years service, of the aggregate of the average legislative allowance, special allowance and ministerial salary earned in the highest four years of service as an MLA, and as a minister or specified office holder.

Increases to pension payments may be provided each January 1. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds.

At January 1, 2004 pensioners received a full CPI increase of 2.2% (2003 - 2.3%).

d) Termination Benefits

A member of the Plan who ceases to be an MLA may choose between leaving accumulated contributions on deposit or obtaining a refund of contributions with interest.

e) Other Benefits

Survivor benefits are available under the Plan.

f) Income Taxes

The Plan is a Registered Pension Plan as defined in the *Income Tax Act (Canada)* and is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the aggregate financial position of the Account as a separate financial reporting entity, independent of the Account's contributing employer and members.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investments (continued)

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Fair values of those assets are based on public market prices or quotations from investment dealers.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Account as a unit holder. Within the pools, dividends are accrued on the ex-dividend date. The current period change in fair value includes realized and unrealized gains and losses.

3. INVESTMENTS (FAIR VALUE)

	2004	2003
Short-Term	$ 106,383	$ 319,745
Canadian Bonds	536,826	534,118
Canadian Equities	341,708	211,327
	$ 984,917	$ 1,065,190

The Account's investments consist primarily of direct ownership in units of pooled investment portfolios, managed by bcIMC. Each unit gives its holder a proportionate share in the equity of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist primarily of government bonds. Equities consist primarily of publicly traded shares.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

4. INVESTMENT INCOME

	2004			2003
	Income Allocation	Current Period Change In Fair Value	Total	Total
Short-Term	$ 5,050	$ 773	$ 5,823	$ 15,072
Canadian Bonds	37,331	15,660	52,991	34,307
Canadian Equities	7,943	83,039	90,982	(38,312)
Interest Income	16,876	-	16,876	24,167
Investment Income	$ 67,200	$ 99,472	$ 166,672	$ 35,234

The income allocation portion of investment income represents pooled investment portfolio income attributable to the Account as a unitholder, as calculated by bcIMC, and any interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

Interest income of $16,876 (2003 - $24,167) represents amounts earned on an amount of $622,645 due from the Public Service Pension Plan (see Note 5). Total interest income receivable is $60,328 (2003 - $43,452).

5. RELATED PARTY TRANSACTIONS

a) Transfers to the Public Service Pension Fund

	2004	2003
Accumulated assets available for pensions granted	$ 507,733	$ (7,883)
Terminal funding from the Province of British Columbia	1,015,918	7,883
Present value of pensions granted	1,523,651	-
Indexing contributions	-	399
Total Transfer	$1,523,651	$ 399

When a member is granted a pension, the present value of the pension is transferred to the Public Service Pension Fund and monthly benefits are paid from that fund. The province provides additional funding in the year the pension is granted (terminal funding) when the present value of pensions granted exceeds accumulated assets available to fund those members' benefit entitlements in the Plan. During the year ended March 31, 2004, two members (2003 – no members) were granted a pension. One member was granted a refund of contributions.

As at March 31, 2004, ten members remain with eligibility for a benefit. The estimated amount of the Province of British Columbia's obligation (terminal funding) is $2.9 million.

MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

5. RELATED PARTY TRANSACTIONS (continued)

a) Transfers to the Public Service Pension Fund (continued)

Under the Act, amounts contributed by members and the employer to help provide for the payment of indexing supplements are transferred each year from the Account to the Public Service Pension Fund, from which the indexing supplements are paid.

During the year ended March 31, 2004, it was discovered that funds related to a MLA that was re-elected in May 2001 had not been transferred back to the Account from the Public Service Pension Fund in accordance with Section 24(2) of the Act. As a result, Net Assets Available for Benefits for the year ended March 31, 2003 was understated by $108,771 (2002 - $76,721). These understated amounts include applicable interest amounts relating to the delayed transfer of funds. All other related amounts, including terminal funding requirements, have been corrected and restated.

This error also resulted in an excess transfer of $565,209 from the Province to fund terminal funding. These monies owed to the Province were used to offset terminal funding requirements of $358,437 (2003 - $7,883) with a remaining balance owed to the Province of $198,889 (2003 - $557,326).

b) Administrative Expenses

Administrative expenses relating to the Account were $6,577 (2003 - $4,000). Administrative expenses are paid by the Office of the Legislative Comptroller.

6. ACTUARIAL VALUATION

An actuarial valuation of the Account is not required by the Act and a valuation has not been performed to date.

7. FINANCIAL INSTRUMENTS

The Account investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, and accounts payable. The fair values of these financial instruments approximate their carrying values.

Fair values of investments are exposed to price risk. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

This publication is produced by the
Pension Corporation on behalf of the
Members of the Legislative Assembly Pension Plan.

PENSION
CORPORATION

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